

**PORTAGE TOWNSHIP
MACKINAC COUNTY, MICHIGAN**

Financial Statements
For the Year Ended
June 30, 2008

Prepared By:

Richard E. Mahlmeister, C.P.A., P.C.
580 South Nicolet, P.O. Box 996
Mackinaw City, MI 49701

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name* Portage Township	County* MACKINAC	Type* TOWNSHIP	MuniCode* 49-1-100
Opinion Date-Use Calendar* Dec 16, 2008	Audit Submitted-Use Calendar* Dec 22, 2008	Fiscal Year End Month* 06	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies? <input checked="" type="checkbox"/> 19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> \$ 250,290.00
General Fund Expenditure:	<input type="checkbox"/> \$ 230,756.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	<input type="checkbox"/> \$ 146,602.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> \$ 199,500.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* Richard E.	Last Name* Mahlmeister	Ten Digit License Number* 1101017351		
CPA Street Address* P.O. Box 996	City* Mackinaw City	State* MI	Zip Code* 49701	Telephone* +1 (231) 436-5223
CPA Firm Name* Richard E. Mahlmeister, CPA	Unit's Street Address* P.O. Box 70	Unit's City* Curtis	Unit's Zip* 49820	

PORTAGE TOWNSHIP

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INDEPENDENT AUDITOR'S REPORT

December 16, 2008

Township Board
Portage Township
Mackinac County, Michigan

I have audited the accompanying financial statements of the governmental activities, the discretely presented component unit and each major fund of **Portage Township, Mackinac County, Michigan**, as of and for the year ended June 30, 2008, which collectively comprise **Portage Township's** basic financial statements as listed in the table of contents. These financial statements are the responsibility of **Portage Township's** management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit and each major fund of **Portage Township, Mackinac County, Michigan**, as of June 30, 2008, and the respective changes in financial position, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6 and 24 through 29, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.



Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, CPA, PC

PORTAGE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements, which immediately follow this section.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net assets at June 30, 2008 totaled \$1,186,266, representing an increase of \$68,636 from the previous fiscal year.

Governmental Fund Highlights

The governmental fund activities of the Township reported combined ending fund balances of \$709,986, which represents an increase of \$82,087 from the previous fiscal year.

Capital Assets and Long-term Debt

\$50,010 of capital assets was acquired during the year. The Township repaid \$11,000 of long-term debt during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: 1) management's discussion and analysis; 2) the basic financial statements; and 3) required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township.

The first two statements are government-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities and/or business-type activities. There were no business-type activities for the fiscal year June 30, 2008.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

PORTAGE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the Township as a whole, using accounting methods used by private companies. The Statement of Net Assets includes all of the Township's assets and liabilities. The Statement of Activities records all of the current year's revenues and expenses, regardless of when received or paid.

The two Government-wide statements report net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities. This is one method to measure our financial health or position.

Over time, increases or decreases in the Township's net assets are an indicator of whether financial position is improving or deteriorating.

To assess the overall health of the Township, you may also consider additional factors such as tax base changes, facility conditions, and personnel changes.

Most of the activities are reported as governmental activities. These would include the operations recorded in the General Fund, Road Fund, Fire Fund, Ambulance Fund and Library Fund. The South Manistique Lake Improvement Board is presented, but is considered a component unit, not part of the primary government.

The comparison of net assets of governmental activities from year to year serves to measure a government's financial position:

PORTAGE TOWNSHIP

Net Assets

June 30,

	GOVERNMENTAL ACTIVITIES	
	2008	2007
Assets:		
Current assets	\$ 744,539	\$662,805
Other assets	6,598	\$ 7,106
Capital assets (net)	672,047	696,148
Total assets	<u>1,423,184</u>	<u>1,366,059</u>
Liabilities:		
Current liabilities	48,918	48,929
Noncurrent liabilities	188,000	199,500
Total Liabilities	<u>236,918</u>	<u>248,429</u>
Net assets:		
Invested in capital assets, net of related debt	472,547	485,648
Restricted	235,431	217,734
Unrestricted	<u>478,288</u>	<u>414,248</u>
Total Net Assets	<u>\$1,186,266</u>	<u>\$1,117,630</u>

PORTAGE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The most significant portion of the Township's Net Assets is the investment in capital assets (e.g. land, buildings, equipment, vehicles and infrastructure), less any related debt that is outstanding used to acquire or construct the asset. The Township has \$478,288 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by policies regarding their use.

The following table summarizes the results of the changes in Net Assets of the Township:

PORTAGE TOWNSHIP		
Change in Net Assets		
June 30,		
GOVERNMENTAL		
ACTIVITIES		
	2008	2007
REVENUES:		
Program revenues:		
Charges for services	\$71,725	\$71,256
Operating grants and contributions	15,450	5,717
Capital grants and contributions	-	60,000
General revenues:		
Property taxes	505,026	454,767
State-shared revenues	85,752	82,432
Interest income	16,457	21,875
Other	24,513	25,338
Total Revenues	<u>718,923</u>	<u>721,385</u>
EXPENSES:		
Legislative	42,458	43,617
General government	133,893	120,305
Public safety	107,676	66,008
Public works	149,715	177,933
Health and welfare	140,321	124,579
Recreation and culture	33,169	32,549
Other	33,637	37,392
Interest and fees on long-term debt	9,418	6,584
Total Expenses	<u>650,287</u>	<u>608,967</u>
NET ASSETS:		
Increase in net assets	68,636	112,418
Beginning Net Assets	<u>1,117,630</u>	<u>1,005,212</u>
Ending Net Assets	<u>\$1,186,266</u>	<u>\$1,117,630</u>

PORTAGE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

Governmental Activities

The Township is able to report positive balances in its net asset balances. During the fiscal year, net assets increased by \$68,636.

Property tax revenue increases, when compared to last fiscal year, totaling \$50,259 can be attributed to increased tax revenue due to rising taxable property values. Decreases of capital grants from the prior year were due to a USDA grant received in the prior year for our new fire trucks. Operating grants increased due to contributions received from tribal revenue sharing and other donations. Interest income decreased due to declining interest rates. All other revenues remained relatively stable.

Our total expenditures increased, mainly due to general, continuing, increases in both public safety and health and welfare costs that can be attributed to the Fire Department and Ambulance Service operations. General government costs also continue to rise.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds, not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. They may also be created by the Township Board. Funds are established to account for funding and spending of specific financial resources and to show proper expenditure of those resources.

The Township has the following types of funds:

Governmental Funds

Most of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them.

The Township maintains five individual governmental funds; General Fund, Road Fund, Fire Fund, Ambulance Fund, and the Library Fund, all of which we consider major funds. The Township funds are financed primarily by both property tax revenue and state shared revenues.

Fiduciary Funds

The Township acts as a trustee or fiduciary and is responsible for insuring that the assets of these activities are collected and disbursed to the respective entities to which the funds belong. The Township maintains these funds and is responsible for insuring that the assets of these activities are spent for their intended purpose and at the direction of those individuals/organizations to which the funds belongs. These activities do not appear in the Township's government-wide financial statements since the assets do not belong to the Township. The Township maintains a Tax Collection Fund in this category.

PORTAGE TOWNSHIP

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental Fund Activities

The Township's fund activities remained consistent. The Township continued to provide the same services to its residents: administrative, assessing, elections, township hall maintenance, road maintenance, fire protection, and tax collection. The General Fund increased its fund balance by \$19,534, bringing the fund balance to \$146,602, the Road Fund increased its fund balance by \$51,278, bringing the fund balance to \$183,816, the Fire Fund decreased its fund balance by \$31,038, bringing the fund balance to \$142,764, the Ambulance Fund increased its fund balance by \$35,449, bringing the fund balance to \$205,392, and the Library Fund increased its fund balance by \$6,864, bringing the fund balance to \$31,412.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the Township's governmental activities had \$672,047 in net capital assets (land, buildings, equipment and emergency services vehicles). There is \$50,010 in new capital assets purchased during the current year, which includes a used rescue vehicle.

Long-Term Debt

The Township repaid \$11,000 of long-term debt during the fiscal year by making the scheduled debt payments. Total debt outstanding at June 30, 2008 is \$199,500.

BUDGETARY HIGHLIGHTS

There were no significant differences between the original and final budget with the exception of an increase of \$50,100 in the Fire Fund budget to accommodate the purchase of the aforementioned rescue vehicle.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

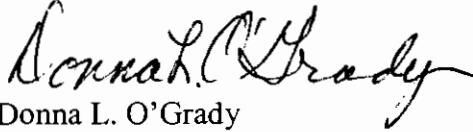
While the Township expects financial aspects of governing to be generally the same as in the current year, the 2008-2009 budgets anticipate approximately \$197,000 for significant capital outlay expenditures. We are planning improvements to the ball field, purchasing a new ambulance, general improvements to Township buildings and other improvements to make the buildings handicap accessible. We also anticipate budgeted road expenditures in the amount of \$217,000 in the upcoming year.

PORTAGE TOWNSHIP

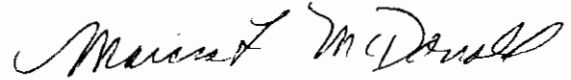
MANAGEMENT'S DISCUSSION AND ANALYSIS

CONTACTING TOWNSHIP MANAGEMENT

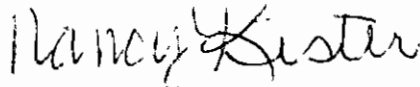
This financial report is designed to provide our citizens, creditors, investors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for revenues it receives. If you have any questions concerning this report, or need additional information, please contact any township official at 906.586.9522 (Portage Township offices).



Donna L. O'Grady
Portage Township Supervisor



Marcia L. McDonald
Portage Township Clerk



Nancy J. Kister
Portage Township Treasurer

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**PORTAGE TOWNSHIP
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	PRIMARY GOVERNMENT	COMPONENT UNIT
<u>ASSETS</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>S. MANISTIQUE LAKE IMPROVE- MENT BOARD</u>
Cash and cash equivalents	\$665,451	\$6,800
Investments	34,454	-
Receivables:		
Accounts receivable	19,073	-
Due from fiduciary fund	1,583	-
Due from other governmental units	23,978	-
Finance costs (net)	6,598	-
Capital assets (net of accumulated depreciation)	672,047	-
<u>TOTAL ASSETS</u>	<u>1,423,184</u>	<u>6,800</u>
<u>LIABILITIES</u>		
Accounts payable	22,135	-
Accrued payroll and taxes	12,418	-
Accrued interest	2,865	-
Long-term liabilities:		
Due within one year	11,500	-
Due in more than one year	188,000	-
<u>TOTAL LIABILITIES</u>	<u>236,918</u>	<u>-</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	472,547	-
Restricted for equipment purchases	235,431	-
Unreserved	478,288	6,800
<u>TOTAL NET ASSETS</u>	<u>\$1,186,266</u>	<u>\$6,800</u>

The accompanying notes are an integral part of these financial statements.

**PORTAGE TOWNSHIP
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental activities			
Legislative	\$42,458	\$ -	\$ -
General government	133,893	6,850	-
Public safety	107,676	24,621	5,100
Public works	149,715	-	10,000
Health and welfare	140,321	40,254	350
Recreation and culture	33,169	-	-
Other	33,637	-	-
Interest and fees on long-term debt	9,418	-	-
Total governmental activities	\$650,287	\$71,725	\$15,450
		General Revenues	
		Property taxes	
		State-shared revenues	
		Unrestricted interest income	
		Other	
		Total general revenues	
		Change in net assets	
		Net assets, beginning of year	
		Net assets, end of year	

The accompanying notes are an integral part of these financial statements.

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
	Primary Government	Component Unit S. Manistique Lake Improvement Board
	TOTAL	TOTAL
\$ -	(\$42,458)	\$ -
-	(127,043)	-
-	(77,955)	-
-	(139,715)	-
-	(99,717)	-
-	(33,169)	-
-	(33,637)	-
-	(9,418)	-
\$ -	(\$563,112)	-
	505,026	-
	85,752	-
	16,457	158
	24,513	-
	631,748	158
	68,636	158
	1,117,630	6,642
	\$1,186,266	\$6,800

FUND FINANCIAL STATEMENTS

PORTAGE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008

ASSETS	GENERAL	ROAD FUND	FIRE FUND
Cash and cash equivalents	\$86,032	\$194,887	\$147,558
Investments	34,454	-	-
Accounts receivable	-	-	-
Due from other funds	18,098	-	1,029
Due from other governmental units	23,978	-	-
TOTAL ASSETS	\$162,562	\$194,887	\$148,587
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$9,655	\$11,071	\$318
Accrued payroll and taxes	5,276	-	-
Due to other funds	1,029	-	5,505
TOTAL LIABILITIES	15,960	11,071	5,823
FUND BALANCES			
Reserved for equipment	-	-	120,995
Unreserved:			
Designated for subsequent years' expenditures	40,900	-	-
Unreserved, undesignated	105,702	183,816	21,769
TOTAL FUND BALANCES	146,602	183,816	142,764
TOTAL LIABILITIES AND FUND BALANCES	\$162,562	\$194,887	\$148,587

The accompanying notes are an integral part of these financial statements.

AMBULANCE FUND	LIBRARY FUND	TOTAL GOVERNMENTAL FUNDS
\$200,057	\$36,917	\$665,451
-	-	34,454
19,073	-	19,073
-	-	19,127
-	-	23,978
<u>\$219,130</u>	<u>\$36,917</u>	<u>\$762,083</u>
\$1,091	\$ -	\$22,135
7,142	-	12,418
5,505	5,505	17,544
<u>13,738</u>	<u>5,505</u>	<u>52,097</u>
114,436	-	235,431
45,642	6,350	92,892
45,314	25,062	381,663
<u>205,392</u>	<u>31,412</u>	<u>709,986</u>
<u>\$219,130</u>	<u>\$36,917</u>	<u>\$762,083</u>

**PORTAGE TOWNSHIP
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2008**

Reconciliation of fund balances on the balance sheets for governmental activities
to the statement of net assets

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$709,986
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: capital assets	973,530
Subtract: accumulated depreciation	(301,483)

Deferred costs used in governmental activities are not financial resources and,
therefore, are not reported in the funds.

Add: finance costs	7,614
Subtract: accumulated amortization	(1,016)

Long-term liabilities, including bonds payable, are not due and payable in the current
period and, therefore, are not reported as liabilities in the funds and consist of:

Subtract: notes payable	(199,500)
Subtract: accrued interest on long-term liabilities	(2,865)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$1,186,266</u>
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The accompanying notes are an integral part of these financial statements.

PORTAGE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL FUND	ROAD FUND	FIRE FUND
REVENUES:			
Taxes	\$125,901	\$173,406	\$59,533
Licenses and permits	8,719	-	-
State shared revenues	82,907	2,845	-
Contribution from local unit	-	10,000	-
Charges for services	6,850	-	15,902
Interest	8,150	2,577	2,502
Contributions	-	-	5,100
Other	17,763	2,395	2,451
TOTAL REVENUES	250,290	191,223	85,488
EXPENDITURES:			
Current:			
Legislative	42,458	-	-
General government	130,399	-	-
Public safety	11,032	-	46,448
Public works	9,770	139,945	-
Health and welfare	-	-	-
Recreation and culture	3,460	-	-
Other functions	33,637	-	-
Capital outlay	-	-	50,010
Debt Service:			
Principal	-	-	11,000
Interest and fees	-	-	9,068
TOTAL EXPENDITURES	230,756	139,945	116,526
NET CHANGE IN FUND BALANCES	19,534	51,278	(31,038)
FUND BALANCES - BEGINNING OF YEAR	127,068	132,538	173,802
FUND BALANCES - END OF YEAR	\$146,602	\$183,816	\$142,764

The accompanying notes are an integral part of these financial statements.

AMBULANCE FUND	LIBRARY FUND	TOTAL
\$113,723	\$32,463	\$505,026
-	-	8,719
-	-	85,752
-	-	10,000
40,254	-	63,006
2,514	714	16,457
350	-	5,450
712	1,192	24,513
157,553	34,369	718,923
-	-	42,458
-	-	130,399
-	-	57,480
-	-	149,715
122,104	-	122,104
-	27,505	30,965
-	-	33,637
-	-	50,010
-	-	11,000
-	-	9,068
122,104	27,505	636,836
35,449	6,864	82,087
169,943	24,548	627,899
\$205,392	\$31,412	\$709,986

PORTAGE TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008

Reconciliation of statement of revenues, expenditures and changes in fund balances of governmental funds to statement of activities

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$82,087

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, those costs are allocated over their useful lives as annual depreciation expense in the statement of activities.

Add: capital outlay capitalized during the current year	50,010
Subtract: depreciation expense	(74,111)

Governmental funds report deferred costs, such as financing costs, as expenditures. However, those costs are allocated over the related debt repayment period as annual amortization expense in the statement of activities.

Subtract: finance costs amortized during the current year	(508)
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Repayment of bond and note principal is an expenditure in the governmental funds, however, it reduces long-term liabilities in the statement of net assets.

Add: principal payments on long-term liabilities.	11,000
Add: prior year accrued interest on debt	3,023
Subtract: current year accrued interest on debt	(2,865)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$68,636</u>
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The accompanying notes are an integral part of these financial statements.

**PORTAGE TOWNSHIP
STATEMENT OF FIDUCIARY NET ASSETS
TAX COLLECTION FUND
JUNE 30, 2008**

	ASSETS	AGENCY FUND
		<u>\$1,583</u>
Cash		
	LIABILITIES	
		<u>1,583</u>
Due to other funds		
	NET ASSETS	
		<u>\$ -</u>
Fiduciary Net Assets		

The accompanying notes are an integral part of these financial statements.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Portage Township, Mackinac County, Michigan conform to generally accepted accounting principles as applicable to governments. The following is a summary of the most significant policies.

THE REPORTING ENTITY

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity", the financial statements of the reporting entity includes those of the Township and any component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, the South Manistique Lake Improvement Board is presented as a component unit.

Discretely Presented Component Unit

South Manistique Lake Improvement Board – The South Manistique Lake Improvement Board (the Board) was formed jointly by both Portage and Newton Townships, under the Natural Resources and Environmental Protection Act, PA 451 of 1994 as amended, to monitor the lake level and improve the water quality of South Manistique Lake, which lies within both Townships.

The five-member board consists of a supervisor of each township, a property owner, and a commissioner from both the Mackinac County Road Commission and Mackinac County. The Board is required to adopt an annual operating budget. Funding is provided by a special assessment of affected property owners within the district. Portage Township performs administrative functions for the Board and is the custodian of its assets. Separate financial statements are not issued for The South Manistique Lake Improvement Board.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements (Continued)

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as general revenue.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria, based on percentage of the assets, liabilities, revenues or expenditures/expenses of the governmental and proprietary funds, for the determination of major funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Property taxes, state shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue in the current fiscal year. All other revenue items are considered to be available when cash is received.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989.

FUND TYPES AND MAJOR FUNDS

Governmental Funds

The Township reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. Financing is provided primarily by property taxes and state shared revenues.

Road Fund - The Road Fund accounts for revenues and expenditures attributable to improvement of various roads located within the Township. Revenue is primarily obtained from property taxes for this purpose.

Fire Fund - The Fire Fund is used to account for expenditures related to the Township provided fire service. Financing is provided primarily by property taxes.

Ambulance Fund - The Ambulance Fund is used to account for expenditures related to the Township provided ambulance service. Financing is provided primarily by property taxes.

Library Fund - The Library Fund is used to account for expenditures related to the Township's public library, which is operated on a contractual basis by the Bayliss Public Library in Sault Ste. Marie, Michigan. Financing is provided primarily by property taxes.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND TYPES AND MAJOR FUNDS (CONTINUED)

Fiduciary Funds

Trust and Agency Fund - The Tax Collection Fund is used to account for property taxes collected for the Township and as an agent for other governmental units. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of demand deposits, cash in savings and money market accounts.

INVESTMENTS

Investments are stated at market, and consist of certificates of deposit with maturity values of three months or longer.

RECEIVABLES, PAYABLES AND TRANSFERS

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. All interfund receivables are reported at their gross values. Interfund transfers reflect the use of unrestricted revenues collected in the General Fund used to finance programs accounted for in other funds in accordance with budgetary provisions.

Ambulance Fund receivables are shown as net of allowance for uncollectible accounts.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain report amounts and disclosures. Accordingly, actual results could differ from those estimates.

COMPENSATED ABSENCES AND POST-EMPLOYMENT BENEFITS

There is no accumulated vacation, sick leave or post-employment benefits to be recognized.

CAPITAL ASSETS

Capital assets include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items). Capital assets are generally defined by the government as assets with an initial individual cost of \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS (CONTINUED)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 – 40 years
Equipment and vehicles	5 – 20 years
Infrastructure (cemetery roads)	40 years

LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Issuance costs are reported as debt service expenditures.

FUND EQUITY

Reserved fund balances for governmental funds indicate that portion of fund equity which has been legally segregated for specific purposes and/or does not constitute current available spendable resources. Designated fund balance indicates that portion of fund equity for which the Township has made tentative plans. Undesignated fund balance indicates that portion of fund equity, which is available for budgeting in future periods.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds.

The Township follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing on July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution.
4. Budgeted amounts are as originally adopted, or as amended by the Township Board.
5. Appropriations expire at the end of the fiscal year.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted to the activity level.

During the year the Township incurred expenditures which exceeded the amount appropriated as follows:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
GENERAL FUND:			
Township board	\$30,600	\$42,458	\$11,858
Elections	\$1,200	\$2,838	\$1,638
Assessor	\$28,460	\$32,160	\$3,700
Township properties	\$46,000	\$51,870	\$5,870
Sanitation	\$4,000	\$4,053	\$53

NOTE 3: PROPERTY TAX

Property tax revenues for the year ended June 30, 2008, reflected in the accompanying financial statements include property taxes levied December 31, 2007. These taxes are due by February 15, 2008, and are added to the County tax rolls after February 28, 2008. The Township receives 100% payment for the delinquent tax by June, 2008.

The taxable value of the Township totaled \$65,329,280, on which ad valorem taxes consisted of 1.4862 mills for the Township's operating purposes, 2.6427 mills for roads, .9908 for fire and ambulance equipment, .4127 for fire service, 1.2389 for ambulance service and .4954 for library services, raising \$97,150 for operating purposes, \$173,406 for roads, \$64,852 for fire and ambulance equipment, \$27,242 for fire service, \$81,162 for ambulance services, and \$32,463 for library services.

NOTE 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS

Primary Government

The caption on the statements of net assets relating to cash and cash equivalents and investments of the primary government represent deposits in varying amounts as follows:

Cash and cash equivalents	\$667,034
Investments (certificates of deposit)	<u>34,454</u>
	<u>\$701,488</u>

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 4: CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Custodial Credit Risk – Deposits: At year-end the carrying amount of the Township's primary government deposits were classified as to risk as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$487,620	\$487,814
Uninsured – uncollateralized	213,868	214,374
	<u>\$701,488</u>	<u>\$702,188</u>

All accounts are in the name of the Township and a specific fund. They are recorded in Township records at cost. Interest is recorded when deposits mature or is credited to the applicable account.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated level are used as depositories. The Township may experience significant fluctuations in deposit balances through the year.

Component Unit

The captions on the statement of net assets relating to cash and cash equivalents of \$6,800 in the Component Unit column represent deposits in one financial institution located in Michigan. The total deposits do not exceed \$100,000 and therefore, are covered by the Federal Deposit Insurance Corporation (FDIC).

Statutory Authority

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township's deposits and investment policy are in accordance with statutory authority.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 5: INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables at June 30, 2008 are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
General	\$18,098	\$1,029
Fire	1,029	5,505
Ambulance	-	5,505
Library	-	5,505
Tax Collection	-	1,583
Total	<u>\$19,127</u>	<u>\$19,127</u>

All remaining balances generally resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payment between funds are made. All interfund balances outstanding at June 30, 2008, are expected to be repaid within one year.

There were no operating transfers for the year ended June 30, 2008.

NOTE 6: CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government activities for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<u>Not being depreciated:</u>				
Land	\$48,000	\$ -	\$ -	\$48,000
<u>Being Depreciated:</u>				
Buildings	218,631	-	-	218,631
Equipment	76,639	-	-	76,639
Vehicles	566,310	50,010	-	616,320
Infrastructure	13,940	-	-	13,940
Subtotal	923,520	50,010	-	973,530
Less accumulated depreciation	<u>(227,372)</u>	<u>(74,111)</u>	<u>-</u>	<u>(301,483)</u>
Total	<u>\$696,148</u>	<u>(\$24,101)</u>	<u>\$ -</u>	<u>\$672,047</u>

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 6: CAPITAL ASSETS (CONTINUED)

Depreciation was charges to the Township's functions as follows:

General government	\$ 3,494
Public safety	50,196
Health and welfare	18,217
Recreation and culture	2,204
	<u>\$74,111</u>

Component Unit

There was no capital asset activity for the component unit activities for the current year.

NOTE 7: LONG-TERM DEBT

A summary of long term obligations at June 30, 2008, and transactions related thereto for the year then ended is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
U.S.D.A. Act 99 installment contract payable, fire truck, annual payments ranging from \$8,500 to \$15,000, plus interest at 4.25%, through March, 2021.	\$162,000	\$ -	(\$8,500)	\$153,500	\$9,000
U.S.D.A. Act 99 installment contract payable, fire truck, annual payments ranging from \$2,500 to \$4,500, plus interest at 4.50%, through March, 2021.	48,500	-	(2,500)	46,000	2,500
Total governmental activities long-term debt	<u>\$210,500</u>	<u>\$ -</u>	<u>(\$11,000)</u>	<u>\$199,500</u>	<u>\$11,500</u>

Annual debt service requirements for the above obligations, as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2009	\$11,500	\$8,713
2010	12,500	8,211
2011	13,000	7,665
2012	13,500	7,117
2013	14,000	6,508
2014-2018	79,000	22,737
2019-2021	56,000	4,984
Total	<u>\$199,500</u>	<u>\$65,935</u>

Unallocated interest expense for the year in the statement of activities, governmental activities, was \$8,910, and \$508 of amortization of finance costs.

PORTAGE TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

NOTE 8: RESERVES AND DESIGNATIONS

Fire Fund - The Fire Fund has \$120,995 reserved for the purchase of fire-fighting equipment.

Ambulance Fund - The Ambulance Fund has \$114,436 reserved for the purpose of ambulance equipment.

Designations - The General Fund has \$40,900, the Ambulance Fund has \$45,642, and the Library Fund has \$6,350 designated for subsequent years' expenditures.

NOTE 9: BUILDING PERMIT REVENUES AND RELATED EXPENDITURES

The Township collects fees for permits and conducts inspections in accordance with Act 245 of 1999 and accounts for the related activity in the General Fund. Portage Township's fee structure is not intended to recover the full cost of the enforcing agency; therefore, it has not been segregated from the General Fund. For the year ended June 30, 2008, the Township collected \$7,550 in building permit and related fees. For the same time period, the Township expended \$9,574. The Township subsidized the construction permit program with \$2,024.

NOTE 10: RISK MANAGEMENT

Portage Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township participates in the Michigan Township Participating Plan, a public entity risk pool currently operating as a common risk management and insurance program for various municipalities throughout the State of Michigan. Member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Claims for commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 11: CONTINGENCIES

In the normal course of operations, the Township receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authorities the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

NOTE 12: SUBSEQUENT EVENTS

The Township signed contracts for road improvements in the approximate amount of \$143,000.

REQUIRED SUPPLEMENTARY INFORMATION

**PORTAGE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
TAXES				
Property taxes	\$97,000	\$97,000	\$97,150	\$150
Administration fees	13,000	13,000	28,751	15,751
TOTAL TAXES	110,000	110,000	125,901	15,901
LICENSES AND PERMITS				
Building permits	10,000	10,000	7,550	(2,450)
Other licenses and permits	-	-	1,169	1,169
TOTAL LICENSES AND PERMITS	10,000	10,000	8,719	(1,281)
STATE SHARED REVENUES				
State land tax and payments in lieu of taxes	8,500	8,500	9,606	1,106
Other state shared revenues	75,000	75,000	73,301	(1,699)
TOTAL STATE SHARED REVENUES	83,500	83,500	82,907	(593)
CHARGES FOR SERVICE				
Cemetery lots	4,000	4,000	6,850	2,850
TOTAL CHARGES FOR SERVICE	4,000	4,000	6,850	2,850
INTEREST INCOME	5,000	5,000	8,150	3,150
OTHER				
Rents	1,000	1,000	650	(350)
Reimbursements and other	13,800	13,800	17,113	3,313
TOTAL OTHER	14,800	14,800	17,763	2,963
TOTAL REVENUE	227,300	227,300	250,290	22,990

**PORTAGE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
LEGISLATIVE				
Township Board	\$30,600	\$30,600	\$42,458	(\$11,858)
GENERAL GOVERNMENT				
Supervisor	8,200	8,200	8,020	180
Elections	1,200	1,200	2,838	(1,638)
Assessor	28,460	28,460	32,160	(3,700)
Clerk	13,100	13,100	12,405	695
Equalization	10,600	10,600	9,151	1,449
Board of review	800	800	716	84
Treasurer	13,100	13,100	12,434	666
Cemetery	6,000	6,000	805	5,195
Township properties	46,000	46,000	51,870	(5,870)
TOTAL GENERAL GOVERNMENT	127,460	127,460	130,399	(2,939)
PUBLIC SAFETY				
Building inspector	12,000	12,000	9,574	2,426
Planning	3,000	3,000	1,458	1,542
TOTAL PUBLIC SAFETY	15,000	15,000	11,032	3,968
PUBLIC WORKS				
Street lighting	6,000	6,000	5,717	283
Sanitation	4,000	4,000	4,053	(53)
TOTAL PUBLIC WORKS	10,000	10,000	9,770	230
RECREATION AND CULTURE				
Parks	8,240	8,240	3,460	4,780
OTHER FUNCTIONS	36,000	36,000	33,637	2,363
TOTAL EXPENDITURES	227,300	227,300	230,756	(3,456)
NET CHANGE IN FUND BALANCE	-	-	19,534	19,534
FUND BALANCE, BEGINNING OF YEAR	127,068	127,068	127,068	-
FUND BALANCE, END OF YEAR	\$127,068	\$127,068	\$146,602	\$19,534

**PORTAGE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$194,200	\$172,650	\$173,406	\$756
State shared revenues	-	-	2,845	2,845
Contribution from local unit	-	-	10,000	10,000
Interest	1,000	1,000	2,577	1,577
Other	-	-	2,395	2,395
TOTAL REVENUES	195,200	173,650	191,223	17,573
EXPENDITURES:				
Public works	195,200	195,200	139,945	55,255
TOTAL EXPENDITURES	195,200	195,200	139,945	55,255
NET CHANGE IN FUND BALANCE	-	(21,550)	51,278	72,828
FUND BALANCE, BEGINNING OF YEAR	132,538	132,538	132,538	-
FUND BALANCE, END OF YEAR	\$132,538	\$110,988	\$183,816	\$72,828

**PORTAGE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$62,265	\$62,265	\$59,533	(\$2,732)
Charges for services	1,500	1,500	15,902	14,402
Interest	1,500	1,500	2,502	1,002
Contributions	-	5,000	5,100	100
Other	-	678	2,451	1,773
TOTAL REVENUES	65,265	70,943	85,488	14,545
EXPENDITURES:				
Public safety	44,565	49,565	46,448	3,117
Capital outlay	-	50,100	50,010	90
Debt Service:				
Principal	11,000	11,000	11,000	-
Interest	9,700	9,700	9,068	632
TOTAL EXPENDITURES	65,265	120,365	116,526	3,839
NET CHANGE IN FUND BALANCE	-	(49,422)	(31,038)	18,384
FUND BALANCE, BEGINNING OF YEAR	173,802	173,802	173,802	-
FUND BALANCE, END OF YEAR	\$173,802	\$124,380	\$142,764	\$18,384

**PORTAGE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - AMBULANCE FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$113,265	\$113,265	\$113,723	\$458
Charges for services	31,000	31,000	40,254	9,254
Interest	1,000	1,000	2,514	1,514
Contributions	-	-	350	350
Other	200	200	712	512
TOTAL REVENUES	145,465	145,465	157,553	12,088
EXPENDITURES:				
Health and welfare	230,000	230,000	122,104	107,896
TOTAL EXPENDITURES	230,000	230,000	122,104	107,896
NET CHANGE IN FUND BALANCE	(84,535)	(84,535)	35,449	119,984
FUND BALANCE, BEGINNING OF YEAR	169,943	169,943	169,943	-
FUND BALANCE, END OF YEAR	\$85,408	\$85,408	\$205,392	\$119,984

**PORTAGE TOWNSHIP
BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE - LIBRARY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL AMENDED BUDGET POSITIVE (NEGATIVE)
REVENUES:				
Taxes	\$32,365	\$32,365	\$32,463	\$98
Interest	500	500	714	214
Other	50	50	1,192	1,142
TOTAL REVENUES	32,915	32,915	34,369	1,454
EXPENDITURES:				
Recreation and culture	32,915	32,915	27,505	5,410
TOTAL EXPENDITURES	32,915	32,915	27,505	5,410
NET CHANGE IN FUND BALANCE	-	-	6,864	6,864
FUND BALANCE, BEGINNING OF YEAR	24,548	24,548	24,548	-
FUND BALANCE, END OF YEAR	\$24,548	\$24,548	\$31,412	\$6,864

December 16, 2008

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Township Board
Portage Township
Mackinac County, Michigan

I have audited the financial statements of the governmental activities, the discretely presented component unit and each major fund of ***Portage Township, Mackinac County, Michigan***, for the year ended June 30, 2008, and have issued my report thereon dated December 16, 2008. Professional standards require that I provide you with the following information related to my audit.

My Responsibility under U.S. Generally Accepted Auditing Standards

As stated in my engagement letter dated September 30, 2008, my responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. My audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

I performed the audit according to the planned scope and timing previously communicated to you on September 30, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Portage Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was determining depreciation expense. I evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated December 16, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

Auditing standards require me to report to you significant audit findings or issues. Following are the significant findings I noted during my audit:

- There is a lack of segregation of duties in the accounting function due to the limited number of accounting personnel. This condition is generally inherent in organizations the size of Portage Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.
- Portage Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures. However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

Additionally I have presented other matters for your consideration in the same letter dated December 16, 2008.

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditor. However, these discussions occurred in the normal course of our professional relationship and my responses were not a condition to my retention.

This information is intended solely for the use of the Board and management of Portage Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



Richard E. Mahlmeister, C.P.A.
Richard E. Mahlmeister, C.P.A., P.C.

December 16, 2008

**COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND MATERIAL
WEAKNESSES IN INTERNAL CONTROL AND OTHER MATTERS**

Township Board
Portage Township
Mackinac County, Michigan

In planning and performing my audit of the financial statements of *Portage Township* as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, I considered Portage Township's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Portage Township's internal control. My consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, I do not express an opinion on the effectiveness of Portage Township's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be significant deficiencies and a deficiency that I consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

I consider the following deficiencies to be significant deficiencies in internal control:

Lack of Segregation of Duties

Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

This condition is generally inherent in organizations the size of Portage Township, where corrective action is not practical, and to the extent possible, duties are allocated between accounting personnel to mitigate the risk of material asset misappropriation.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

I believe the following deficiency constitutes a material weakness:

Financial Statement Preparation

Portage Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, and to present required financial statement disclosures.

However, small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year-end financial statements.

In addition, I noted other matters for your consideration:

Budgeting

Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2008 Portage Township incurred expenditures, which exceeded the amount appropriated, as shown in the body of the financial statements.

Though the Board is reviewing the budget as compared to expenditures, I suggest that the Township Board on a periodic basis, closely review appropriations as compared to actual expenditures and amend the budget as necessary, prior to incurring the expenditures to avoid incurring expenditures in excess of appropriations.

Portage Township
December 16, 2008
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This communication is intended solely for the information and use of management and the Members of the Board of Portage Township, and is not intended to be and should not be used by anyone other than these specified parties.

Thank you for the opportunity to serve Portage Township. Best wishes in the next year.

Sincerely,

A handwritten signature in black ink, appearing to read "Richard E. Mahlmeister", followed by a small "C.P.A." in the upper right corner of the signature.

Richard E. Mahlmeister, C.P.A.

Richard E. Mahlmeister, C.P.A., P.C.